

Retirement Resource Guide 2020 Supplement

This supplement incorporates the major changes to retirement savings arrangements that have resulted from cost-of-living adjustments for 2020 and updates from the IRS, as well as major law changes, including the Setting Every Community Up for Retirement Enhancement (SECURE) Act and Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Retirement Plan Cost of Living Adjustments (COLA)	2020	2019
Elective Deferral Limit (401(k), 403(b), Roth 401(k), SARSEP)	\$19,500	\$19,000
Catch-Up Contribution Limit	\$6,500	\$6,000
Annual Defined Benefit Limit	\$230,000	\$225,000
Annual DC Contribution Limit	\$57,000	\$56,000
Annual Compensation Limit	\$285,000	\$280,000
457 Deferral Limit	\$19,500	\$19,000
Highly Compensated Employee Dollar Threshold	\$130,000	\$125,000
SIMPLE Contribution Limit	\$13,500	\$13,000
SIMPLE Catch-Up Contributions	\$3,000	\$3,000
SEP Coverage Minimum Comp.	\$600	\$600
SEP Compensation Limit	\$285,000	\$280,000
Top-Heavy Key Employee Comp.	\$185,000	\$180,000
Traditional or Roth IRA Contribution Limit	\$6,000	\$6,000
Traditional or Roth IRA Catch Up Contribution	\$1,000	\$1,000
Social Security Taxable Wage Base	\$137,700	\$132,900

Source: [IRS Notice 2019-59](#)

IRS Releases 2020 COLA-Indexed IRA and Retirement Plan Figures

The IRS released the cost of living adjustment (COLA) indexed figures applicable to IRA and retirement plans in [IRS Notice 2019-59](#). The table below provides a summary of key figures.

	2020	2019	2018
IRA Contribution Limit	\$6,000	\$6,000	\$5,500
IRA Catch-Up Contributions	\$1,000	\$1,000	\$1,000
Traditional IRA Phase Out			
Joint Return covered by workplace retirement plan	\$104,000-\$124,000	\$103,000-\$123,000	\$101,000-\$121,000
Single or Head of Household	\$65,000-\$75,000	\$64,000-\$74,000	\$63,000-\$73,000
Joint Return spouse not covered by workplace plan	\$196,000-\$206,000	\$193,000-\$203,000	\$189,000-\$199,000
Roth IRA Phase Out			
Roth IRA Joint Return	\$196,000-\$206,000	\$193,000-\$203,000	\$189,000-\$199,000
Roth IRA Single or Head of Household	\$124,000-\$139,000	\$122,000-\$137,000	\$120,000-\$135,000
SEP Plans			
SEP Minimum Compensation	\$600	\$600	\$600
SEP Maximum Contribution	\$57,000	\$56,000	\$55,000
SEP Maximum Compensation	\$285,000	\$280,000	\$275,000
SIMPLE Plans			
SIMPLE Maximum Contributions	\$13,500	\$13,000	12,500
Catch-up Contributions	\$3,000	\$3,000	\$3,000

	2020	2019	2018
Annual Compensation	\$285,000	\$280,000	\$275,000
Other Plan Related Limits			
Elective Deferrals	\$19,500	\$19,000	\$18,500
Catch-up Contributions	\$6,500	\$6,000	\$6,000
Defined Contribution Limit Per Participant Limit (IRC §415)	\$57,000	\$56,000	\$55,000
ESOP Limits	\$1,150,000	\$1,130,000	\$1,105,00000
HCE Threshold	\$130,000	\$125,000	\$120,000
Defined Benefit Limit	\$230,000	\$225,000	\$220,000
Key Employee	\$185,000	\$180,000	\$175,000
457 Elective Deferrals	\$19,500	\$19,000	\$18,500
Control Employee (board member or officer)	\$115,000	\$110,000	\$110,000
Control Employee (compensation-based)	\$230,000	\$225,000	\$220,000
Taxable Wage Base	\$137,700	\$132,900	\$128,400

Federal Gift Tax Lifetime Exemptions and Rates		
Year	Gift Tax Exemption	Top Gift Tax Rate
2019	\$11.4 million	40%
2020	\$11.58 million	40%

Per Person Annual Gift Tax Exclusion	
Year	Exclusion
2019	\$15,000
2020	\$15,000

Final Regulations on Hardship Distributions

After considering public comments on its November 14, 2018, proposed regulations on hardship distributions from 401(k) plans, the Treasury Department and IRS issued final rules on September 23, 2019. The final regulations reflect changes as a result of the Bipartisan Budget Act (BBA) of 2018; the Pension Protection Act (PPA) of 2006; the Heroes Earnings Assistance and Relief Act (HEART Act) of 2008; and the Tax Cuts and Jobs Act (TCJA) of 2017. The final rules clarify the applicability of the changes to 403(b) plans, and provide additional relief to victims of hurricanes Florence and Michael.

Hardship distributions allow active participants in 401(k) and 403(b) plans to receive in-service distributions of their elective deferrals, designated Roth contributions and certain other amounts prior to reaching age 59½ as long as they have an immediate and heavy financial need and the distribution is necessary to meet that need. Historically, the need has been determined based on facts and circumstances, including six reasons that the IRS would automatically deem to be an immediate and heavy financial need.

The IRS's final regulations, similar to the proposed regulations, make the following key changes:

1. Change the administrative process required to document that the distribution is necessary to meet the financial need, optional for 2019, mandatory starting January 1, 2020;
2. Require plans to eliminate the six-month suspension of elective contributions following a hardship distribution made on or after January 1, 2020 (optional for 2019);
3. Permit plans to eliminate the requirement that participants obtain all available plan loans prior to receiving a hardship distribution (optional starting in 2019);
4. Expand the types of contribution sources available for hardship distributions;
5. Add a new type of safe harbor hardship expense for losses relating to a federally-declared disaster; and
6. Clarify the rules' applicability to 403(b) plans.

Distribution Necessary to Satisfy Financial Need

Optional for 2019, and mandatory beginning January 1, 2020, the IRS will apply the following standard for determining whether a distribution is necessary to satisfy a financial need. The prior facts and circumstances test is eliminated.

1. A hardship distribution may not exceed the amount of an employee's need (including any amount to pay for taxes and penalties as a result of the distribution).
2. Employees must have obtained other available distributions under the employer's qualified or nonqualified plans, including employee stock ownership pension (ESOP) plan dividends.

3. Employees must represent in writing or via electronic medium, including online application or recorded verbal conversation, that they have insufficient cash or other liquid assets to satisfy their financial needs. The plan administrator may rely on such representation unless it has knowledge to the contrary. Note: The preamble to the final hardship regulations clarify the plan administrator is not required to inquire into a participant's financial status.

No More Six-Month Suspension Required

The final rules eliminate the six-month suspension from making elective contributions requirement for an employee who takes a hardship distribution from any plan of the employer. This is optional for the 2019 plan year and mandatory for 2020. Note: The final regulations clarify the suspension still applies to non-qualified plans subject to IRC §409A, although sponsors could amend such plans to remove the suspension.

Plan Loan Not Required

For the 2019 and later plan years, sponsors may, but are not required to, remove the requirement to take a plan loan prior to obtaining a hardship distribution.

Immediate and Heavy Financial Need

Certain expenses are deemed to be immediate and heavy, including the following seven safe harbor reasons as modified by the final regulations:

1. Medical expenses [pursuant to IRC Sec. 213(d)] previously incurred or necessary to obtain medical care by the participant, or his or her spouse, dependents or beneficiaries;
2. Costs relating to the purchase of a principal residence;
3. Tuition and related educational fees (e.g., room and board expenses) for the next 12 months of post-secondary education for the participant, or his or her spouse, dependents, or beneficiaries;
4. Payments necessary to prevent eviction from, or foreclosure on, a principal residence;
5. Burial or funeral expenses for a deceased parent, spouse, children, other dependents, or beneficiaries;
6. Certain expenses to repair damage to the employee's principal residence that would qualify for the casualty deduction under IRC Sec. 165;
7. Expenses and losses (including loss of income) incurred by the employee on account of a disaster declared by the Federal Emergency Management Agency (FEMA), provided the employee's principal place of residence or employment at the time of the disaster was located in the area designated by FEMA for individual assistance with respect to the disaster. This would apply to victims of hurricanes Florence and Michael. This seventh reason is optional for plan years beginning after January 1, 2018.

Accounts Eligible for Hardship Distributions

Hardship distributions from a 401(k) plan were previously limited to the amount of the employee's elective deferrals and, in some cases, earnings on pre-1989 deferrals. Pursuant to the Bipartisan Budget Act (BBA) of 2018, and the final Treasury regulations, the hardship amount can include the participant's employee salary deferrals, qualified nonelective contributions (QNECs), qualified matching contributions (QMACs), safe harbor contributions and earnings from all eligible sources. This change is optional for plan years beginning after December 31, 2018, and plans retain the ability to restrict sources.

Effect on 403(b) Plans

Section 1.403(b)-6(d)(2) provides that hardship distribution of 403(b) elective deferrals are subject to the rules of 1.401(k)-1(d)(3), which makes most of the final hardship distribution regulations applicable to 403(b) plans. However, the following important exceptions apply for now:

- Earnings attributable to 403(b) plan elective pre-tax or designated Roth contributions are ineligible for hardship distributions since BBA did not amend IRC §403(b)(11).
- QNECs and QMACs in an IRC §403(b)(7) custodial account continue to be ineligible for hardship distributions.
- QNECs and QMACs in noncustodial, annuity 403(b) plans are eligible for hardship distributions.

Plan amendments

For an individually designed, nongovernmental plan, the deadline to amend the plan for changes as a result of the final hardship distribution rules is the end of the second calendar year following issuance of a Required Amendments List (RAL) that includes the change. For example, if the final regulations are included in the 2019 RAL, the deadline to amend plans will be December 31, 2021.

For pre-approved plans, the amendment deadline will be the deadline for all amendments being made related to the hardship distribution provisions. For example, the mandatory amendment of the prohibition on the six month suspension on distributions on or after January 1, 2020, the interim amendment deadline would be the tax-filing deadline (plus extensions) for 2020, even if a different provision was added earlier.

For 403(b) plans, the amendment deadline for hardship provisions currently stands as March 31, 2020—to coincide with an existing remedial amendment deadline for pre-approved plans. However, the Treasury Department and IRS are considering providing for a later amendment deadline for the final hardship distribution regulations as a separate piece of guidance.

Action Steps

Now that the final regulations have been issued, plan sponsors and service providers are obligated to review the current hardship distribution plan provisions, procedures and forms used to determine what changes are necessary and/or desired, and the deadline to do so.

Final Regulations on Closed Multiple Employer Plans

The Department of Labor (DOL) released final regulations (DOL Reg. 2510.3-55) on closed Multiple Employer Plans (MEPs), effective September 30, 2019. These final rules provide much needed clarification as to when a group of employers maintaining a single retirement plan constitute a closed MEP and, therefore, may take advantage of streamlined administrative requirements and economies of scale.

A closed MEP is a single employee benefit plan maintained by two or more employers that meets the requirements of Internal Revenue Code Section (IRC §) 413(c). Under a closed MEP, the plan administrator files a single Form 5500, which requires only one independent audit for the group. Similarly, the ERISA §412 fidelity bonding requirements for a closed MEP apply as if to a single plan, rather than independently as to a series of individual plans.

Pursuant to ERISA §3(5), the DOL requires that the employers in a closed MEP must be part of a bona fide group or association that has something in common besides cosponsoring one or more plans. A couple of DOL advisory opinions (DOL Advisory Opinion 2012-04A and DOL Advisory Opinion 94-07A) along with a few court cases [e.g., MDPhysicians & Associates, Inc. v. State Bd. Ins., 957 F.2d 178,185 (5th Cir.), cert. denied, 506 U.S. 861 (1992) and Wisconsin Educ. Assoc. Ins. Trust v. Iowa State Bd., 804 F.2d 1059, 1063 (8th Cir. 1986)] have attempted to better define "a bona fide group."

This final rule addresses two arrangements for offering closed MEPs: Association Retirement Plans (ARPs) and Professional Employer Organizations (PEOs).

Under an ARP-based MEP, a bona fide group or association of employers is one

- Where the primary purpose is to offer the MEP;
- Which has at least one substantial business purpose unrelated to offering the MEP;
- Where each employer has at least one employee (a owner-only business may also qualify);
- That has a formal organizational structure;
- Where the functions of the association are controlled by the employers;
- That has a commonality of interest;
- That limits participation in the plan to the association; and
- Where the association is not a bank or trust company, insurance issuer, broker-dealer, or other similar financial services firm.

Regarding commonality of interest, employers can join an ARP-based MEP as long as they either 1) operate in a common city, county or state—or in a multistate metropolitan area—regardless of their trade, industry or profession; or 2) operate in the same trade, industry or profession, regardless of where they are located.

Under a PEO-based MEP, the PEO

- Performs substantial employment functions on behalf of its client employers that adopt the MEP, and maintains adequate records relating to such functions (the regulations provide a safe harbor);
- Has substantial control over the functions and activities of the MEP;
- Ensures that each client employer that adopts the MEP acts directly as an employer with at least one employee who is a participant covered under the MEP; and
- Ensures that participation in the MEP is available only to employees and former employees of the PEO and client employers.

While some PEOs have been administering MEPs for their clients, the final rule provides clear authorization for them to do so by creating a new safe harbor under the Employee Retirement Income Security Act (ERISA), which governs employer-sponsored retirement plans.

The final rule is limited to defined contribution plans, and does not cover welfare benefit plans or other types of pension plans.

Changes Under the SECURE Act	
SECURE Act Provision	Detail
<p>Sec. 101. Multiple employer plans; pooled employer plans</p> <p>Plan years beginning after December 31, 2020</p>	<ul style="list-style-type: none"> • Supports so-called “open” multiple employer plans (MEPs) between unrelated employers with no common interest that share a “pooled plan provider.” <p>Pooled plan provider means a person or entity that</p> <ul style="list-style-type: none"> – Is designated as the plan administrator – Acknowledges fiduciary status in writing – Registers with the IRS – Ensures all plan fiduciaries are bonded – Is treated as a single “pooled employer plan” (PEP) <ul style="list-style-type: none"> • Protects innocent employers in a MEP or PEP from plan violations of another employer (i.e., no more “one bad apple” rule) • Simplifies annual reporting for certain MEPs and PEPs
<p>Sec. 102. Increase in 10 percent cap for automatic enrollment safe harbor after the first plan year</p> <p>Plan years after December 31, 2019</p>	<p>Increases the contribution escalation cap in 401(k) plans with qualified automatic contribution arrangements (QACAs) from 10 to 15 percent.</p>
<p>Sec. 103. Rules relating to election of safe harbor 401(k) status</p> <p>Plan years beginning after December 31, 2019</p>	<p>With respect to 401(k) safe harbor plans with nonelective contributions:</p> <ul style="list-style-type: none"> • Eliminates the safe harbor notice requirement • Permits amendments for a nonelective contribution at any time before the 30th day before the close of the plan year • Amendments after that time would be allowed if the amendment provides 1) a nonelective contribution of at least 4% of compensation for all eligible employees for that plan year, and 2) the plan is amended no later than the close of following plan year
<p>Sec. 104. Increase in credit limitation for small employer pension plan startup costs</p> <p>Taxable years after December 31, 2019</p>	<p>For the first three years of startup, increases the plan start-up tax credit to potentially \$5,000</p>
<p>Sec. 105. Small employer automatic enrollment credit</p> <p>Taxable years after December 31, 2019</p>	<p>For first three years, creates a new tax credit up to \$500 for automatic enrollment 401(k)s and savings incentive match plans for employees (SIMPLE) IRA plans</p>
<p>Sec. 106. Additional compensation for IRA purposes</p>	<p>Certain taxable nontuition fellowship and stipend payments can be used as compensation for IRA contribution purposes</p>

Changes Under the SECURE Act	
SECURE Act Provision	Detail
Tax years beginning after December 31, 2019	
Sec. 107. Repeal of maximum age for traditional IRA contributions Contributions made for taxable years after December 31, 2019	Removes the age limit for making traditional IRA contributions
Sec. 108. Qualified employer plans prohibited from making loans through credit cards and other similar arrangements. Applies to loans made after December 20, 2019	Prohibits plan loans through plan-related credit cards
Sec. 109. Portability of lifetime income options Plan years beginning after December 31, 2019	Permits qualified defined contribution plans, 403(b) plans, or governmental 457(b) plans to make a direct trustee-to-trustee transfer to another employer-sponsored retirement plan or IRA of lifetime income investments or distributions of a lifetime income investment in the form of a qualified plan distribution annuity, if a lifetime income investment is no longer authorized to be held as an investment option under the plan.
Sec. 110. Treatment of custodial accounts on termination of section 403(b) plans Retroactively effective for taxable years beginning after December 31, 2008	For a 403(b) plan termination, distributions may be in the form of an individual custodial account in kind to a participant or beneficiary. The individual custodial account will be maintained on a tax-deferred basis as a 403(b) custodial account until paid out, subject to the 403(b) rules in effect at the time that the individual custodial account is distributed.
Sec. 111. Clarification of retirement income account rules relating to church-controlled organizations. Applies to years beginning before, on, or after December 20, 2019	Clarifies which individuals may be covered by plans maintained by church controlled organizations.
Sec. 112. Qualified cash or deferred arrangements must allow long-term employees working more than 500 but less than 1,000 hours per year to participate	<ul style="list-style-type: none"> • Allows long-term, part-time workers to participate in 401(k) plans • Employers with 401(k) plans must have dual eligibility under which an employee must complete either a one year of service requirement (with the 1,000-hour rule) or three consecutive years of service where the employee completes at least 500 hours of service.

Changes Under the SECURE Act	
SECURE Act Provision	Detail
Shall apply to plan years beginning after December 31, 2020 (see other detail)	<ul style="list-style-type: none"> Employer may elect to exclude the three years/500 hours of service employees from testing under the nondiscrimination and coverage rules, and from the application of the top-heavy rules. Each 12-month period for which the employee has at least 500 hours of service shall be treated as a year of service for vesting.
<p>Sec. 113. Penalty-free withdrawals from retirement plans for individuals in case of birth of child or adoption</p> <p>Shall apply to distributions made after December 31, 2019</p>	<ul style="list-style-type: none"> Expands availability of penalty-free early withdrawals up to \$5,000 for childbirth and adoption
<p>Sec. 114. Increase mandatory age for required minimum distribution (RMDs)</p> <p>Applies to distributions required to be made after December 31, 2019, for individuals who attain age 70 ½ after such date</p>	Delays RMDs until after attainment of age 72
<p>Sec. 115. Special rules for minimum funding standards for community newspaper plans.</p> <p>Plan years ending after December 31, 2017</p>	<p>Provides pension funding relief for community newspaper plan sponsors by</p> <ul style="list-style-type: none"> Increasing the interest rate to calculate funding obligations to 8%. Using a longer amortization period of 30 years from seven years Eliminating "At-Risk" treatment
<p>Sec. 116. Treating excluded difficulty of care payments as compensation for determining retirement contribution limitations. Contributions after December 20, 2019</p>	Treats tax-exempt, "difficulty of care" compensation for home healthcare workers as eligible for purposes of contributing to defined contribution plans (as after-tax contributions) and IRAs
<p>Sec. 201. Plan adopted by filing due date for year may be treated as in effect as of close of year</p> <p>Plans adopted for taxable years beginning after December 31, 2019</p>	Gives businesses more time to set up plans for a give year (i.e., until the business's tax return due date plus extensions)
Sec. 202. Combined	<ul style="list-style-type: none"> Simplifies Form 5500 filings for groups of similar plans

Changes Under the SECURE Act	
SECURE Act Provision	Detail
<p>annual report for group of plans.</p> <p>Shall apply to returns and reports for plan years beginning after December 31, 2021</p>	<ul style="list-style-type: none"> • Applies to defined contribution plans with the same trustee, the same named fiduciary (or named fiduciaries), and the same administrator, using the same plan year, and providing the same investments or investment options to participants and beneficiaries may file a single Form 5500.
<p>Sec. 203. Disclosure regarding lifetime income</p> <p>Effective 12 months after the Treasury Secretary issues further guidance, including a model form</p>	<ul style="list-style-type: none"> • Requires disclosure of lifetime income on benefit statements provided to defined contribution plan participants at least once during any 12-month period. • The disclosure would illustrate the monthly payments the participant would receive if the total account balance were used to provide lifetime income streams, including a qualified joint and survivor annuity for the participant and the participant's surviving spouse and a single life annuity.
<p>Sec. 204. Fiduciary safe harbor for selection of lifetime income provider</p> <p>Effective on December 20, 2019</p>	<ul style="list-style-type: none"> • Offers plan sponsors a safe harbor for selecting a lifetime income provider for a plan • Document authority and financial capability of the insurer through written representations from the insurer based on satisfaction of state insurance laws
<p>Sec. 205. Modification of nondiscrimination rules to protect older, longer service participants</p> <ul style="list-style-type: none"> • Effective on December 20, 2019 • A plan sponsor may elect to apply the provision to plan years beginning after December 31, 2013. 	<ul style="list-style-type: none"> • Modifies nondiscrimination rules for frozen defined benefit plans • Permits existing participants to continue to accrue benefits without violating nondiscrimination rules.
<p>Sec. 206 Modification of Pension Benefit Guaranty Corporation (PBGC) Premiums</p> <p>Plan years beginning after December 31, 2018</p>	<p>Reduces PBGC premiums for Cooperative and Small Charities Pension plans</p>
<p>Sec. 301. Benefits provided to volunteer firefighters and emergency medical responders.</p> <p>Shall apply to taxable years beginning after December 31, 2019</p>	<p>Increases the exclusion for qualified reimbursement payments from \$30 to \$50 for each month during which a volunteer performs services</p>

Changes Under the SECURE Act	
SECURE Act Provision	Detail
<p>Sec. 302. Expansion of section 529 plans</p> <p>Applies to distributions made after December 31, 2018</p>	<p>Expands 529 education savings accounts to cover costs associated with registered apprenticeships, homeschooling, up to \$10,000 of qualified student loan repayments (including those for siblings), and private elementary, secondary, or religious schools</p>
<p>Sec. 401. Modifications of required distribution rules for designated beneficiaries</p> <p>Applies to distributions with respect to employees who die after December 31, 2019</p>	<p>Accelerates distributions for certain nonspouse beneficiaries of defined contribution plans and IRAs; requires payout within 10 years</p> <p>No change for “eligible designated beneficiaries” (EDBs)</p> <ul style="list-style-type: none"> • Spouse beneficiaries, • Disabled or chronically ill individuals, • Individuals who are not more than 10 years younger than the employee (or IRA owner), or • Children of the employee (or IRA owner) who have not reached the age of majority <p>Distributions to nonEDBs are generally required to be distributed by the end of the 10th calendar year following the year of the employee or IRA owner’s death.</p>
<p>Sec. 402. Increase in penalty for failure to file</p> <p>Applies to returns due (including extensions) after December 31, 2019</p>	<p>Increases the penalty for failing to timely file Form 5330, Form 990-T, or Form 5329 from \$330 to \$435</p>
<p>Sec. 403. Increased penalties for failure to file retirement plan returns</p> <p>Applies to filings and notices required to be provided after Dec. 31, 2019</p>	<p>Increases the penalties for failing to timely file a 1) Form 5500 series or Form 5310-A return to \$250 per day, not to exceed \$150,000; 2) registration statement to \$10 per participant per day, not to exceed \$50,000; 3) a required notification of change to \$10 per day, not to exceed \$10,000 for any failure; 4) required withholding notice to \$100 for each failure, not to exceed \$50,000 for all failures during any calendar year</p>
<p>Sec. 404. Increase information sharing to administer excise taxes.</p> <p>December 20, 2019</p>	<p>Allows the IRS to share returns and related information with the U.S. Customs and Border Protection for collecting the heavy vehicle use tax</p>
<p>Sec. 501 Modification of rules relating to the taxation of unearned income of certain children</p> <p>Applies to tax years beginning after December 31, 2018 (with elective retroactive application)</p>	<p>Reduces taxes levied on children's military survivor benefits and certain other nonearned income</p>

Changes Under the SECURE Act	
SECURE Act Provision	Detail
Sec. 601. Provisions relating to plan amendments December 20, 2019	Provides for a remedial plan amendment period for SECURE Act provisions through the end of the 2022 plan year (2024 plan year for governmental plans); or a later date if Treasury so directs
Division M: Bipartisan American Miners Act (Section 104) Reduction in minimum age for allowable in-service distributions Applies to plan years beginning after December 31, 2019	Reduces the voluntary in-service distribution age for defined benefit plans and 457(b) plans from age 62 to age 59 ½

Deadline Extended for 2019 Tax Filings

The IRS is providing special tax filing and payment relief to individuals and businesses in response to the COVID-19 Outbreak. The filing deadline for 2019 tax returns has been extended from April 15 to July 15, 2020. The 2019 income tax filing and payment deadlines for all taxpayers who file and pay their Federal income taxes on April 15, 2020, are automatically extended until July 15, 2020. This relief applies to all individual returns, trusts, and corporations. This relief is automatic, taxpayers do not need to file any additional forms or call the IRS to qualify. This relief also includes estimated tax payments for tax year 2020 that are due on April 15, 2020. Penalties and interest will begin to accrue on any remaining unpaid balances as of July 16, 2020. Taxpayers will automatically avoid interest and penalties on the taxes paid by July 15, 2020. Taxpayers do not need to file any additional forms or call the IRS to qualify for this automatic federal tax filing and payment relief. Individual taxpayers who need additional time to file beyond the July 15 deadline, can request a filing extension by filing Form 4868 through their tax professional, tax software or using the Free File link on IRS.gov. Businesses who need additional time must file Form 7004.

Beneficiary Changes under the SECURE Act
 Applies to distributions with respect to individuals who die after December 31, 2019

Type of Beneficiary	Definition	Distribution Options
Eligible Designated Beneficiary (EDB)	<ul style="list-style-type: none"> • Spouse • Disabled or chronically ill individuals • Individuals who are not more than 10 years younger than the employee (or IRA owner), or • Children of the employee (or IRA owner) who have not reached the age of majority 	<p>Terms of the plan or IRA agreement will specify, but generally:</p> <p><u>Death before required beginning date (RBD)</u></p> <ul style="list-style-type: none"> • Five-year rule • Single life expectancy payments • Lump sum • IRA transfer to own IRA "treat as own" (spouse beneficiary only) • Rollover <ul style="list-style-type: none"> - Spouse EDB may roll over his or her share from an IRA or qualified plan into his/her own IRA or eligible plan - Non-spouse EDB may roll over his or her share of an employer plan to a beneficiary IRA <p><u>Death on or after RBD</u></p> <ul style="list-style-type: none"> • Single life expectancy payments • Lump sum • IRA transfer to own IRA "treat as own" (spouse EDB only) • Rollover (see above)
Noneligible Designated Beneficiary (Non-EDB)	Nonspouse beneficiaries who do not qualify as an EDB as listed above (e.g., child who has reached the age of majority)	<p>Terms of the plan or IRA agreement will specify, but generally:</p> <ul style="list-style-type: none"> • Timing of death does not matter (i.e., no before or after RBD differentiation) • 10-year rule—account depleted within 10 years of death • Lump sum • Rollover--nonEDB may roll over his or her share of an employer plan to a beneficiary IRA, but payout remains subject to 10-year rule

Beneficiary Changes under the SECURE Act		
Applies to distributions with respect to individuals who die after December 31, 2019		
Type of Beneficiary	Definition	Distribution Options
Estate or nonqualified trust as beneficiary	Nonperson beneficiaries	<u>Death before RBD</u> <ul style="list-style-type: none"> • Lump sum • Five-year rule <u>Death on or after RBD</u> <ul style="list-style-type: none"> • Lump sum • Single life expectancy payments
Qualified trust as beneficiary with underlying EDB	<p>A qualified trust is one that meets the following requirements of Treas. Reg. 1.401(a)(9)-4, Q&A 5(b).</p> <ol style="list-style-type: none"> 1. The trust is valid under state law, 2. The trust is irrevocable (either during the IRA owner or plan participant's life or becomes so at his or her death), 3. The trust has identifiable beneficiaries, and 4. The trustee of the trust provides the IRA or plan administrator with a copy of the trust instrument (or qualifying trust documentation) by October 31 of the year following the year of the IRA owner or plan participant's death. <p>EDB—See above</p>	<u>Death before RBD</u> <ul style="list-style-type: none"> • Lump sum • Five-year rule • Single life expectancy payments <u>Death on or after RBD</u> <ul style="list-style-type: none"> • Lump sum • Single life expectancy payments • Rollovers- <ul style="list-style-type: none"> - Spouse EDB rollover only allowed with private letter ruling - Nonspouse EDB may roll over his or her share of an employer plan to a beneficiary IRA with the trust named as beneficiary
Qualified trust as beneficiary with underlying Non-EDB	<p>Qualified trust—See above Non-EDB—See above</p>	<p>Timing of death does not matter (i.e., no before or after RBD differentiation)</p> <ul style="list-style-type: none"> • 10-year rule • Lump sum • Rollover <ul style="list-style-type: none"> - Non-EDB may roll over his or her share of an employer plan to a beneficiary IRA with the trust named as beneficiary, but payout remains subject to 10-year rule

Changes Under the CARES Act

The president signed the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#), into law on March 27, 2020, and with it, delivered \$2 trillion of federal government support to taxpayers challenged by the coronavirus public health crisis and associated economic fallout. Included in the law are several provisions that specifically ease rules related to retirement plans. This paper outlines the relevant sections of the CARES Act that affect retirement plans.

The IRS will waive the early withdrawal penalty tax for the first \$100,000 of a "Coronavirus-Related Distribution" from an eligible retirement plan. Distribution recipients may pay back the amount within three years; and taxation can be spread ratably over three years. The term "eligible retirement plan" includes an IRA, qualified plan, qualified annuity plan, governmental 457(b) plan or 403(b) plan.

A Coronavirus-Related Distribution is an amount taken by an eligible person between January 1, 2020, and before December 31, 2020; and, despite being eligible for rollover, is not subject to the mandatory 20% federal withholding amount.

An eligible person is

- 1) An individual, his or her spouse, or a dependent who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19); or
- 2) Someone, because of the virus or disease, who experiences adverse financial consequences as a result of being
 - Quarantined,
 - Furloughed,
 - Laid off,
 - Subjected to reduced work hours,
 - Unable to work due to lack of child care, or
 - Required to close or reduce the hours of a business owned or operated by the individual.

Note: The Secretary of the Treasury (or the Secretary's delegate) may add other factors to this list. A plan administrator may rely on a participant's certification that the participant satisfies the requirements to be a qualified individual.

The IRS is offering a temporary waiver of required minimum distributions (RMDs)

to individuals (including beneficiaries) who have an RMD due in 2020 from an IRA, defined contribution, 403(a), 403(b), or governmental 457(b) plan. A distribution taken after December 31, 2019, that otherwise would have been an RMD for 2020 is eligible for rollover (except in the case of a nonspouse beneficiary). This waiver also includes a first-year 2019 RMD due April 1, 2020, that is taken in 2020.

Beneficiaries subject to the old "Five-Year Rule" now have six years to deplete the inherited retirement account. That means nondesignated beneficiaries who inherited retirement accounts before 2020, and were required to distribute the entire account within five-years, have an extra year to do so.

Certain pension plan sponsors may delay payment of their 2020 contributions. For single employer defined benefit (DB) plans and money purchase pension plans, the 2020 contribution may be delayed until January 1, 2021. For those that delay, the amount of each such minimum required contribution shall be increased by interest accruing for the period between the original due date for the contribution and the payment date, at the effective rate of interest for the plan for the plan year which includes such payment date.

AFTAPs can be adjusted for DB plans for benefit restriction purposes. If a DB plan's adjusted funding target attainment percentage (AFTAP) falls below 80 percent, lump sum payments to participants are limited; if it falls below 60 percent, lump sums are prohibited. Under the CARES Act, a plan sponsor may elect to treat the plan's AFTAP for the last plan year ending before January 1, 2020, as the AFTAP for plan years which include calendar year 2020.

Maximum plan loan amounts may be temporarily increased. For any plan loan requested by a "qualified individual" from March 27, 2020, to September 23, 2020, the maximum plan loan amount may be increased to the lesser of \$100,000 or 100% of vested accrued benefit (up from lesser of \$50,000 or half of vested accrued benefit). A qualified individual the same as that listed above for Coronavirus-Related Distributions.

Plan loan payments may be delayed one year. Any individual with an outstanding loan as of March 27, 2020, who has a loan payment due through December 31, 2020, may delay the payment for one year if the plan permits. Any subsequent repayments must be adjusted for interest accrued during the delay, and plans may extend the term of the loan for a year.

The Department of Labor now has the authority to postpone certain deadlines as a result of a public health emergency as a result of the CARES Act.

The CARES Act does not require employers to add COVID-19-related distributions and/or loans to their plans; they are optional. If an employer chooses to add the provisions, plan amendments would be required.

Any plan amendments required as a result of the CARES Act will be due as of the last day of the plan year beginning on or after January 1, 2022 (2024 for a governmental plan) or possibly later at the IRS's discretion. For example, plan amendments for a calendar year plan would be due by December 31, 2022.